MLC

• 2025

Riding the retirement wave

Getting Australia ready

EXPAND

Australia's superannuation system is a remarkable national achievement for a country of just 27 million people.

Introduction

With an asset pool over $4 trillion, it ranks as the world's fourth largest pension market, reaching this milestone in just over four decades, and is on track to be the world's second largest by 2030.[1]

The system has excelled in the accumulation phase, focusing on maximising fund balances through compulsory contributions, strong investment returns and competitive fees. The retirement phase is now receiving ever-growing attention, as the industry goes beyond its historic emphasis on wealth accumulation by turning its focus to sustainable retirement income strategies.

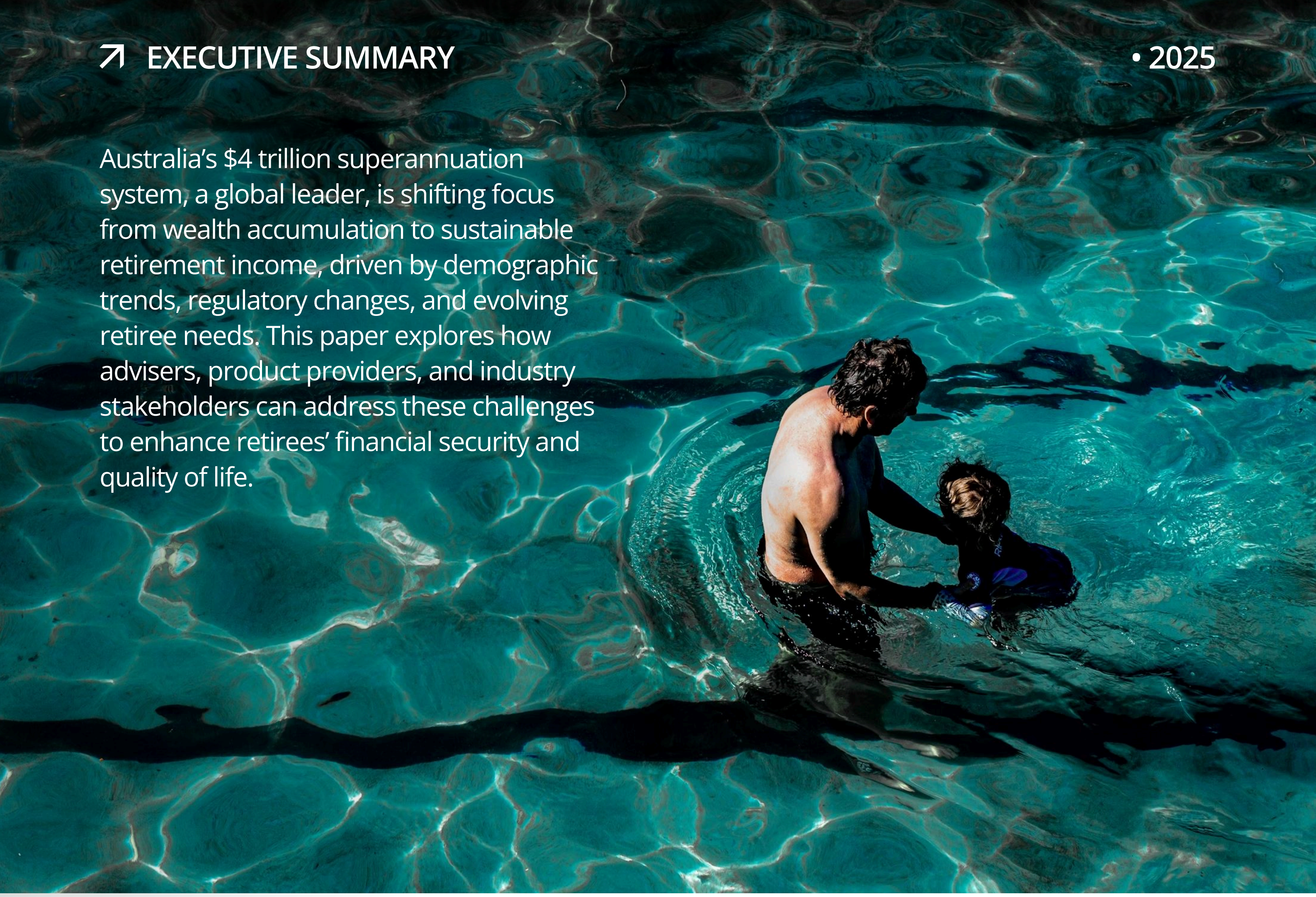
Demographic trends have accelerated structural reforms, such as the 2022 Retirement Income Covenant (RIC), which brought with it growing recognition among advisers, product providers and trustees of the opportunity and need to reimagine the retirement landscape and client journey.

These developments, alongside rising adoption of Innovative Retirement Income Streams (IRIS), are unlocking consumer benefits and fostering product innovation.

A signature of the industry is its openness to diverse approaches, stemming from a recognition that each client's needs in retirement are unique and thus there is no single "correct" way to address retirement challenges for Australians.

In this spirit, MLC aims to contribute to the ongoing dialogue by exploring salient themes and issues facing retirees and how advisers, product providers, and other industry participants may come together to provide support and solutions.

[1] Super Review, (Aussie retirement savings poised to become second-largest globally: SMC, 24.02.2025).



Australia's $4 trillion superannuation system, a global leader, is shifting focus from wealth accumulation to sustainable retirement income, driven by demographic trends, regulatory changes, and evolving retiree needs. This paper explores how advisers, product providers, and industry stakeholders can address these challenges to enhance retirees' financial security and quality of life.

Key trends shaping retirement

- **Demographic shifts:** An increasing number of Australians are retiring, living longer, and navigating changing family dynamics, requiring savings to last 25+ years for many.
- **Retiree confidence:** Only 34% of Australians feel financially confident, with 40% relying on the Age Pension and 33% seeking better access to advice. Advised clients report 61% confidence in their financial wellbeing, far higher than the unadvised.
- **Regulatory support:** The 2022 Retirement Income Covenant (RIC) and the introduction of Innovative Retirement Income Streams (IRIS) encourage innovation, shifting focus to the deaccumulation phase.

The "super into retirement" philosophy

This approach converts superannuation savings into reliable, tax-effective income streams to sustain retirees' lifestyles while managing key risks:

- **Sequencing risk:** Market downturns near retirement can devastate savings. Strategies like glidepaths and bucketing protect against losses.
- **Longevity risk:** With many living beyond 90, lifetime annuities and innovative income streams ensure savings last.
- **Inflation risk:** Rising costs erode purchasing power, requiring balanced investment strategies.
- **Emotional risk:** Fear of outliving savings leads to underspending, with 90% of retirees dying with most of their wealth intact. Better education and income solutions can boost spending confidence.

Meeting the moment

Small, impactful changes can transform outcomes:

- **Maximise entitlements early:** Integrating government benefits like the Age Pension early in planning enhances financial security.
- **Shift from bucketing to layering:** IRIS solutions complement existing strategies, balancing short and long-term needs.
- **Expand the pension toolkit:** Innovative products like lifetime annuities provide certainty and flexibility.
- **Document a retirement income philosophy:** A clear framework builds confidence and aligns solutions with client goals.

The opportunity ahead

Advisers have a unique chance to leverage RIC, IRIS, and demographic trends to deliver tailored solutions, boosting retirees' confidence, protecting savings, and improving their quality of life.

MLC is committed to furthering this conversation with further insights on social security, layering strategies, and comprehensive retirement income frameworks.

by Ashton Jones
Director, Customer Innovation
Insignia Financial

Demographics are often described as destiny. This destiny has never been clearer for the Australian superannuation system.

The tides are turning

In fact, it's now enshrined in legislation that the objective of superannuation is to provide income in retirement to supplement the government Age Pension.

1. Demographic shifts

Against this backdrop, Australia is experiencing three profound demographic shifts:

1. Retiree numbers are accelerating
2. People are living longer in retirement
3. Marital and family dynamics matter.

Let's unpack each of these trends and their implications for retirement planning.

Over the next decade, an extra 3 million Australians with $1.2 trillion[2] in superannuation are expected to retire.

[2] Firstlinks, (The $1.2 trillion sea change facing Australian investors, 12.02.2025), see also Retirement Magazine, (Adapting super to an aging population and retiring workforce, 20.11.2024).

Retiree numbers are accelerating

This represents nearly 10% of Australia's population, underscoring the scale of the demographic shift as many prepare to exit the workforce. To put this into perspective, around 685 Australians retire each day.

1 person

retires every

two minutes[3]

[3] 3 million Australians retiring in the next 10 years (there are 5,256,000 minutes in 10 years) is an average of approximately 1 every 2 minutes.

People are living longer in retirement

A commonly cited statistic for Australians is their life expectancy from birth, which is the average number of years for which a newborn baby can expect to live (81 for males and 85 for females).[4]

However, life expectancy from birth meaningfully underestimates the actual life expectancy for Australians retiring today (85 for a 65 year old male and 88 for a 65 year old female).[5]

Even accounting for this, an overreliance on "average" or "median" outcomes can be a dangerous slippery slope in retirement planning, especially when every Australians' retirement journey will be unique.

Retirement planning must seriously consider the likelihood that an individual lives many years longer than a population-level "average" or "median" might suggest. By definition, around half of the population will pass away before that age, and the other half after that age.

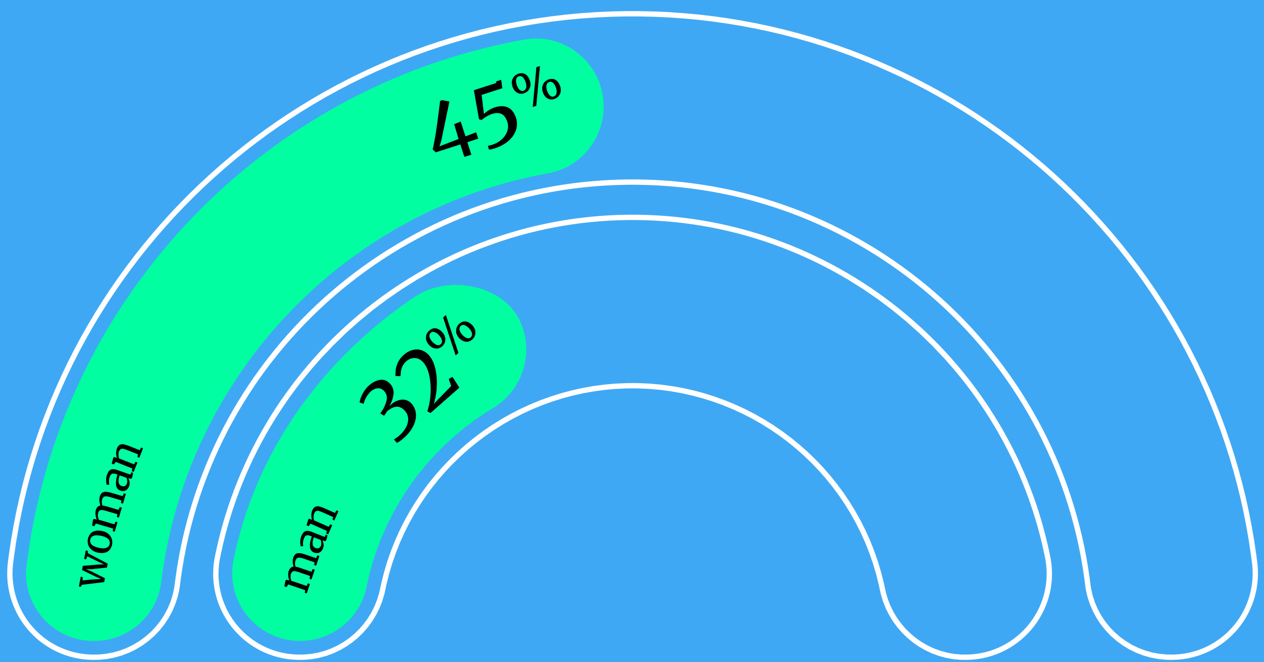
[4] Australian Bureau of Statistics, (Life Expectancy, 8.11.2024).
[5] Australian Government Actuary, (Australian Life Tables 2020-22, 12.12.2025).

Marital and family dynamics matter

Retirement Essentials[6] data shows couples live longer than singles, thanks to the social, emotional, and financial support they share.

Furthermore, the likelihood that at least one partner will reach an advanced age is higher when assessed as a couple, rather than individually.

A woman aged 65 would have around a 45% chance of living to 90, while a man would have around a 32% chance.



[6] Retirement Essentials, (Life Expectancy Calculator).

Marital and family dynamics matter

When viewed as a couple with shared finances, there's a 62% chance that at least one person will live to age 90.[7] Consequently, couples need to plan for a longer retirement than individuals.

Couples also need to plan for the possibility that one partner may outlive the other by many years, and the lifestyle changes that come with it. Finally, there is about a 1-in-2 chance that one partner will outlive the other by more than 8 years.

[7] Retirement Essentials, (Life Expectancy Calculator).

2. Retiree confidence

Many retirees are cautious about spending due to fears of outliving savings, unexpected healthcare costs, or a desire to leave an inheritance for loved ones.

A mindset of contested priorities, while understandable, can lead to reduced quality of life, with retirees foregoing travel, leisure, and even necessary healthcare out of fear of financial depletion.

Compounding this are ever-present cost-of-living crisis pressures, which has intensified stress across age groups with retirees particularly vulnerable owing to fixed incomes and rising expenses.

Advised Australians report significantly higher financial confidence, with 61% feeling positive about their financial wellbeing.[8]

Research from the Financial Planning Association (FPA) confirms better outcomes in financial satisfaction, quality of life, and retirement planning confidence for advised clients.[9]

61%

feeling positive about their financial wellbeing

[8] Investment Trends, (2023 Financial Advice Report, March 2024).
[9] IFA, (Advised Aussies significantly better off across the board, new research shows, 5.10.2022).

However, there's still much to be done to improve retiree confidence as:

Only 34% of Australians are feeling financially confident managing their finances.[10] **34%**

44% of women say they are financially unprepared for retirement.[11] **44%**

Approximately 40% are expecting to receive the Age Pension, using it either as their main or top-up income source,[12] and **40%**

Only 65% of advised Australians are confident they will have enough money to retire.[13] **65%**

Better retirement income products, particularly those galvanised by recent legislation, enhanced financial education, and supportive policies can boost retirees' confidence to spend, improving their wellbeing and enabling fuller participation in community and family life.

[10] Financial Newswire, (Two-thirds of Aussies lack confidence in managing finances, 27.05.2025).
[11] Colonial First State, (Empowered Australian Report 2023).
[12] Australian Bureau of Statistics (Retirement and Retirement Intentions, Australia. 22.05.2025).
[13] Colonial First State, (Empowered Australian Report 2023).

3. The regulatory backdrop

As remarked earlier, the focus of Australia's retirement system has historically been on the accumulation phase, leaving the deaccumulation or pension phase less developed.

However, regulatory tailwinds have never been stronger, with the Government and policymakers fostering a culture of problem-solving and innovation in retirement through two key pieces of legislation – the Retirement Income Covenant (RIC), and Innovative Retirement Income Streams (IRIS).

Retirement Income Covenant

At its core, the Retirement Income Covenant (RIC) requires superannuation trustees to formulate a strategy that helps retiring members understand and balance trade-offs between three key objectives in retirement:

1. Maximising expected retirement income for members.
2. Managing risks to the sustainability and stability of income, including longevity, investment, and inflation risks.
3. Providing flexible access to funds during retirement.

This principles-based framework allows trustees flexibility to tailor strategies to their members' needs, fostering innovation and customised solutions.

Innovative Retirement Income Streams

Innovative Retirement Income Streams (IRIS) products have emerged as a relatively new category of retirement solution in Australia. Originally legislated in 2017, the IRIS provisions were designed to foster industry innovation by removing regulatory barriers to retirement product development.

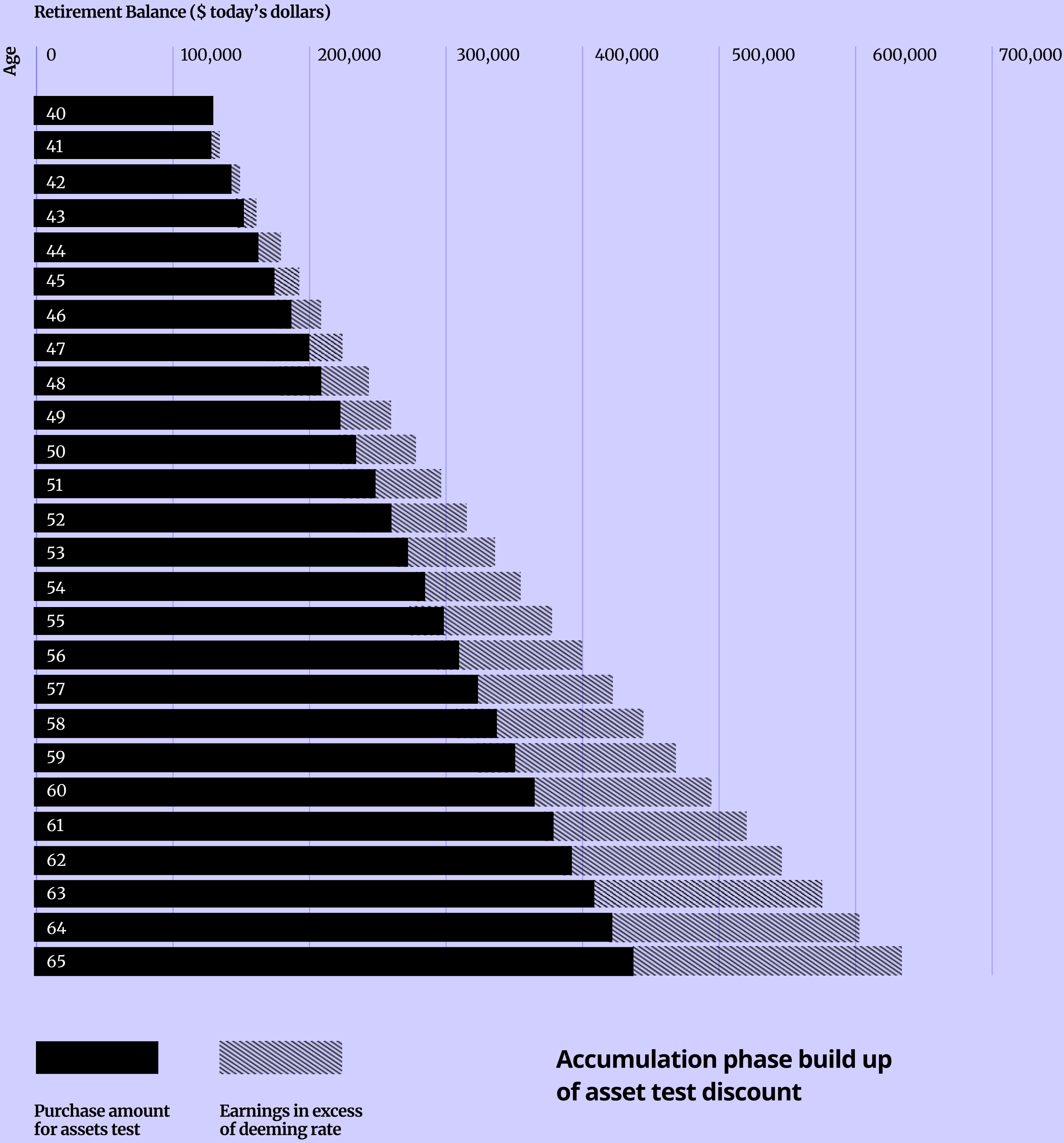
IRIS products are now bridging the gap between:

- Account-Based Pensions (ABPs): Very flexible but does not provide a guarantee of income for life.
- Traditional Lifetime Annuities: Guaranteed income for life but with less flexibility.

IRIS products must meet specific regulatory standards:

- An integrated client journey:
  IRIS products blend features of super accounts, ABPs, and annuities, allowing initiation during the accumulation phase and a consistent client experience journey from super into retirement.
- Super that lasts as long as retirement: Once in retirement phase, income payments must be made at least annually for the retiree's lifetime (and eligible beneficiaries). However, these payments can be varied (like an ABP) or fixed and guaranteed (like an annuity).
- Concessions and trade-offs: IRIS products offer social security concessions to encourage spending confidence, but these come with capital access restrictions, and thus advisers must balance clients' needs for income security with capital flexibility.

MLC's modelling shows that integrating an innovative retirement solution alongside existing pension products, can potentially improve income by up to 60% – depending on a person's individual circumstances – while also ensuring that income lasts longer.



Accumulation phase build up of asset test discount

At age 40, the client can transfer into MLC Retirement Boost (Super) and begin building up future means test concessions. While their balance grows with investment returns, the purchase amount that will be used for the assets test is based on the contributions into the account compounded at the upper deeming rate (currently 2.75%).

By age 65 the purchase amount may be significantly less than their balance to the extent their investment earnings exceeded the upper deeming rate. Further, only 60% of the purchase amount value will be counted towards Centrelink's Age Pension assets test.

- All values are shown in today's dollars assuming inflation of 2.5% pa.
- Other assumptions used in the projection include investment returns (before tax) of 6% pa.
- Wage inflation of 3.75% applies to annual contribution rates.

In a world of change and uncertainty, demand for help, guidance and advice has never been stronger.

A “super into retirement” philosophy

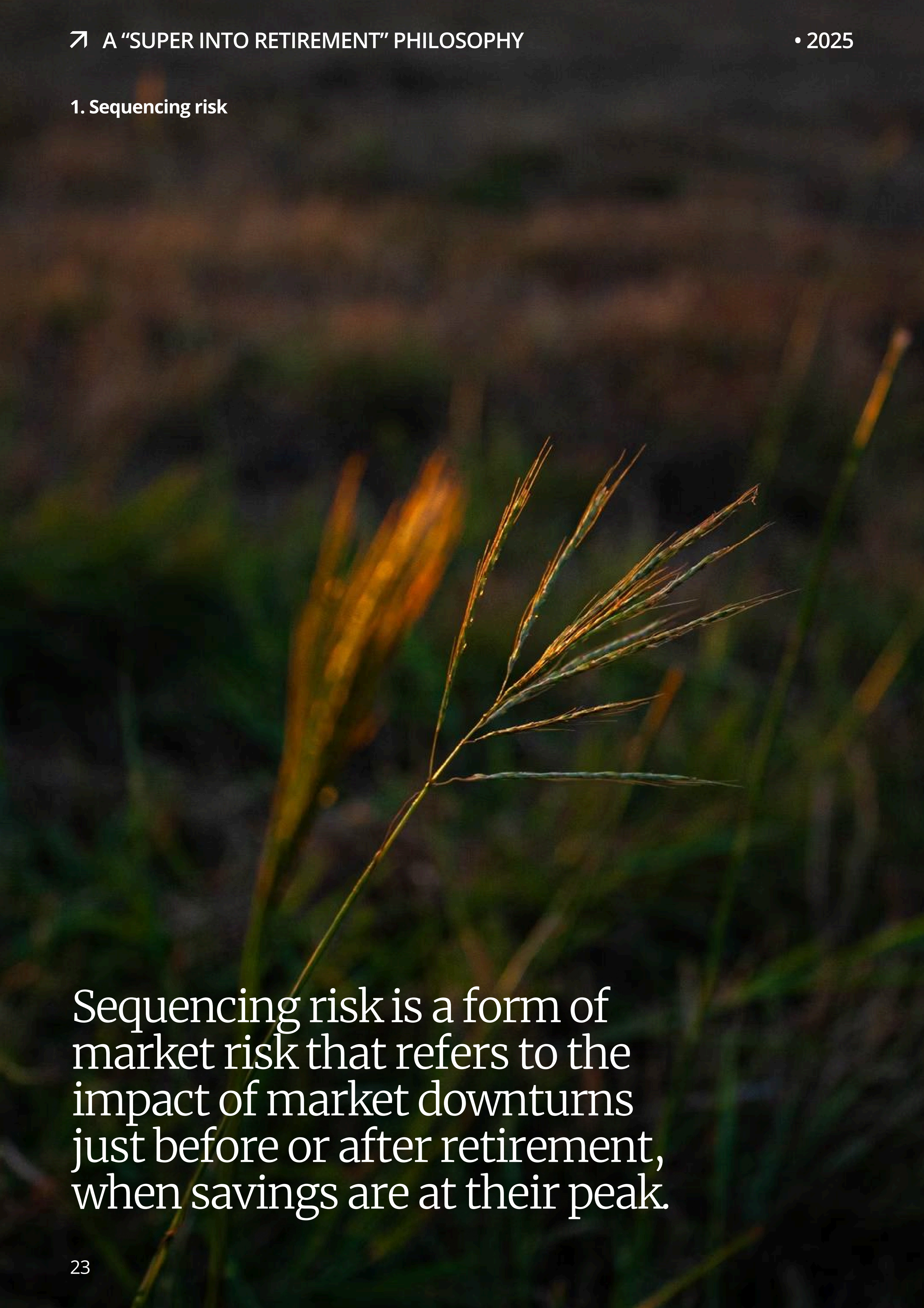
Demonstrating the value of advice to clients can sometimes be difficult when trade-offs, preferences and qualitative factors come more into focus in the retirement phase.

Retirees (and pre-retirees) face unique risks compared to earlier life stages, with sequencing, longevity and inflation risks being the most significant. We believe this calls for advisers to ensure that their advice frameworks and investment philosophies address these risks, while also helping clients feel confident to spend in retirement with income that matches their lifestyle.

A “super into retirement" philosophy refers to the strategic process of converting accumulated superannuation savings into a reliable income stream to support retirees’ lifestyle in retirement.

Its goal is to turn superannuation savings into sustainable, flexible, and tax-effective income that lasts through retirement. It’s not simply about withdrawing money, rather it focuses on managing key risks, maintaining lifestyles, and integrating other income sources, like the Age Pension.

1. Sequencing risk



Sequencing risk is a form of market risk that refers to the impact of market downturns just before or after retirement, when savings are at their peak.

With less time to recover losses and larger dollar impacts, this period — around seven years before and after retirement — is a critical vulnerability zone.

Estimates suggest that up to 60%[14] of retirement income comes from investment earnings during retirement, making a lower starting balance highly consequential. This risk can force retirees to return to work, delay retirement or take on higher investment risks, increasing the potential for losses and ultimately running out of money earlier in retirement.

To manage sequencing risk, strategies like investment glidepaths or 'lifestyling', which gradually reduce investment risk by adjusting asset allocations in the years leading up to retirement, can be implemented.

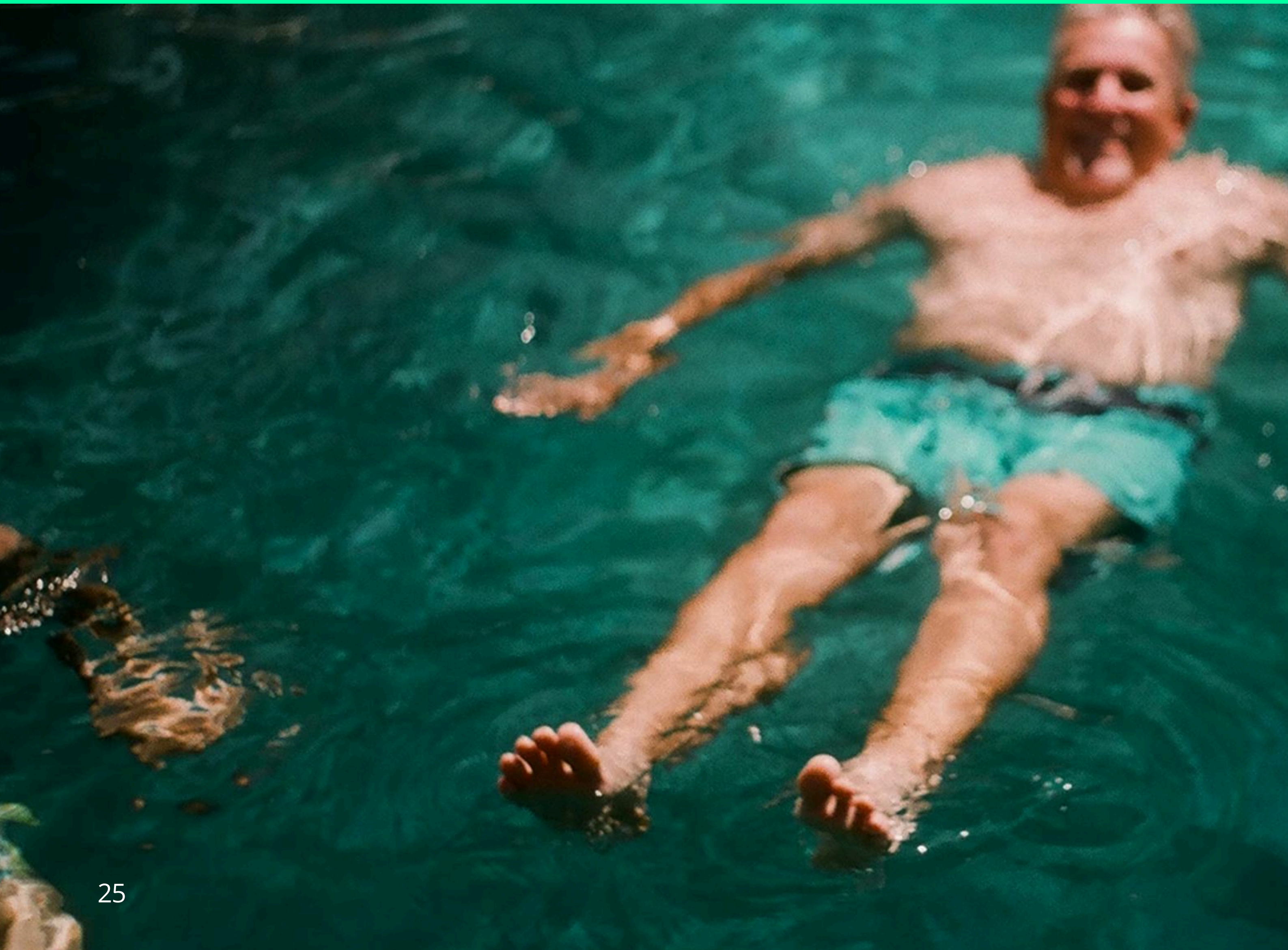
Retirees' short and long-term financial needs can be managed using a 'bucketing' strategy; for instance, by placing some of their funds in cash or other low-risk assets for near-term expenses like the first few years of pension payments, while investing assets for later retirement years in growth-oriented options.

[14] Superguide, (Managing retirement income with a bucket strategy, 23.04.2024).

2. Inflation risk

Retirees also face significant inflation risks — the possibility that their investment returns won't keep pace with the rising cost of living. Over time, even modest inflation can act like a silent tax, eroding the purchasing power of retirement savings, making it harder for retirees to afford essentials like healthcare, housing, and everyday expenses.

This risk is especially pronounced in longer retirements, where overly conservative investment strategies may fail to keep up with inflationary pressures.



Longevity risk — the fear of outliving savings — is a top concern for retirees.[15] With 2 in 5 Australians over 60 ranking running out of money in retirement as one of their top concerns.[16]

3. Longevity risk

This fear is not unfounded because as life spans continue to improve, longevity risk becomes further amplified.

Consider that a 65-year-old man can expect to live another 20 years, and a woman another 23 years. For couples, there is a high probability that at least one partner will live beyond 90, requiring savings to last 25 years or more.

These expectations reflect the average Australian, however, people who seek financial advice are typically wealthier. Higher wealth is linked to longer lifespans, likely due to healthier lifestyles and better access to medical care, with the wealthiest socio-economic groups expected to live longer than the average.[17]
These individuals face a dilemma: spend their super to enjoy their preferred lifestyle and risk running out of money or cut back to make their savings last.

IRIS and Lifetime Annuities help manage longevity risk and ease fears by guaranteeing income for life. They can also ensure that income continues for a surviving spouse if one partner passes away.

15 Retirement Income CVP Research, (Independent research undertaken by Fiftyfive5 for MLC, May 2025).
16 Challenger (You/Gov Retirement Happiness Index, 10.04.2025).
17 Retirement life expectancy research paper, (TAL May 2025).

4. Emotional risk

32%	Many Australians approaching retirement display a lack of confidence in their financial readiness with a 2025 survey revealing that just 32% felt confident they would be able to retire as planned.[18]
68%	Only 68% of Australians feel confident their retirement savings will last, placing them among the least confident globally — well behind the US and UK.[19] This uncertainty stems from economic pressures like inflation, rising living costs, and concerns about unexpected medical expenses.
64%	On the other hand, confidence among Australians with a financial adviser is much higher: 64% of advised clients expect to be financially prepared for retirement, compared to only 25% of unadvised clients.[20]
90%	Many retirees underspend out of fear of running out of money, limiting their lifestyle unnecessarily. One study found the median pensioner died with around 90% of the wealth they had at retirement.[21] This pattern of underconsumption in retirement is often unintentional. Many retirees lack the tools, products, or advice needed to confidently convert their savings into a reliable income stream.
74%	Research by Challenger reveals that 74% of Australians aged 60 and over believe better financial education would improve their retirement happiness.[22]
85%	85% of retirees indicating they would feel happier if they had access to income for life.[23]

Key findings

These findings reveal a key gap: retirees want financial security, but many lack the knowledge or are unaware of solutions to achieve it. Raising awareness and improving access to lifetime income solutions can boost confidence and support more sustainable spending in retirement.

[18] State Street Investment Management, (2025 Global Retirement Reality Report, 3.6.2025).
[19] Firstlinks, (Global survey shows Australians least confident about retiring, 12.01.2022).
[20] State Street Investment Management, (2025 Global Retirement Reality Report, 3.6.2025).
[21] Accurium, (Release of retirement income covenant position paper, 20.07.2021).
[22] Challenger (You/Gov Retirement Happiness Index, 10.04.2025).
[23] Challenger (You/Gov Retirement Happiness Index, 10.04.2025).

Improving retirees' standard of living requires product and advice solutions to:

- **Achieve greater income certainty** to provide retirees with predictable cash flows.
- **Bolster confidence to spend** in retirement, encouraging retirees to enjoy their savings rather than adopting austerity, including by maximising social security entitlements.
- **Protect savings from longevity and sequencing** risks to make them last through retirement.

Small adjustments to advice frameworks, including accessing potential government entitlements for clients, earlier in the advice process, don't require overhauling business models, yet can unlock significant client value.

Meeting the moment: small pivots with big impact

Maximise entitlements and confidence from the start

Social security planning has long been complex, both to analyse and implement. But advisers now have better support from platform providers to calculate and maximise entitlements — starting from a client's first super contribution.

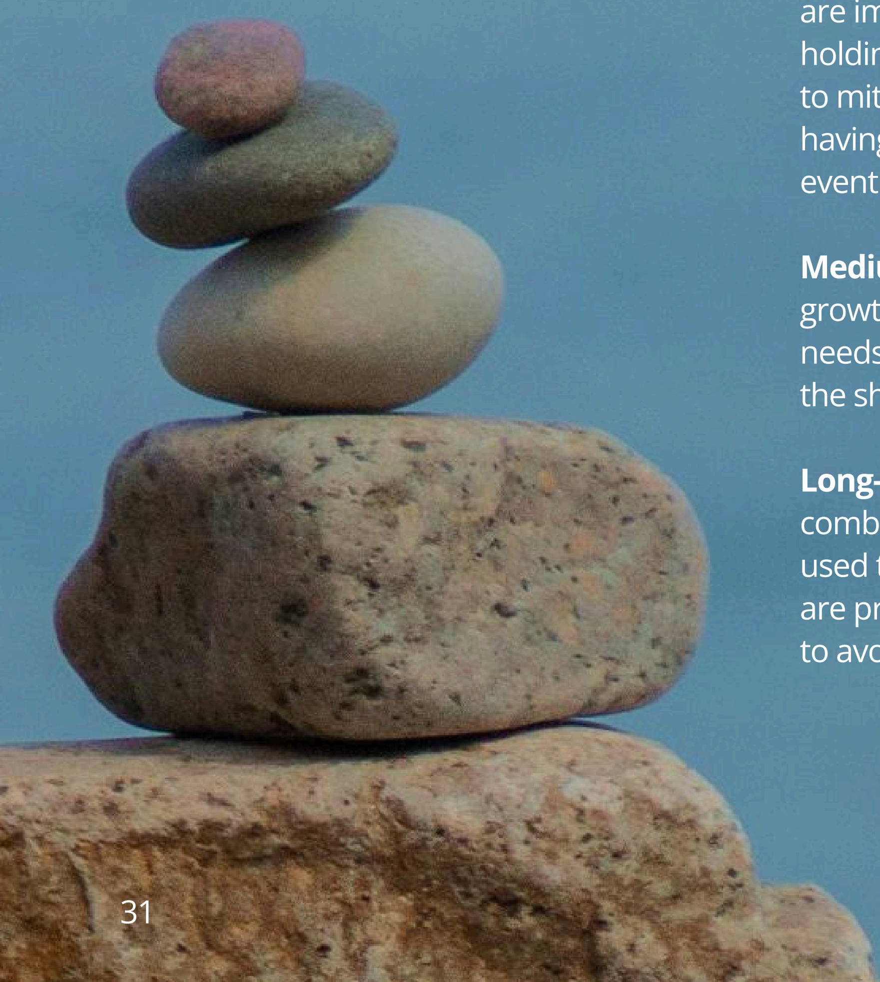
Introducing this conversation earlier, around age 40, rather than waiting until clients approach retirement, creates new advice and engagement opportunities.

The IRIS provisions give advisers a chance to strengthen their value during the accumulation phase and help clients optimise retirement outcomes.

These benefits are now easier to access through standard super accounts with platform-based features, and should be considered for all clients, including those who are likely to qualify after depleting their super.

From bucketing towards layering

A bucketing strategy is essentially a way of configuring asset allocations for retirees' funds by balancing the need for ongoing income and capital growth. There are many variations, but a simple bucketing strategy might have three buckets:



Short-term bucket: Highly liquid, stable investments for immediate income that are immune to market volatility. Typically holding 2-3 years of income, the intent is to mitigate sequencing risks by avoiding having to redeem growth assets in the event of market downturns.

Medium-term bucket: Invest for moderate growth while maintaining stability to meet needs over 3–7 years. Use profits to replenish the short-term bucket.

Long-term bucket: Focuses on growth to combat longevity risk and inflation, with returns used to replenish shorter-term buckets. Assets are preserved during market downturns to avoid selling at a loss.

While bucketing is more of an asset allocation strategy, layering uses diverse products to create income streams for different needs:

- Basic layer: Covers essential expenses (eg. food, housing, utilities, transport).
- Contingency layer: Addresses unexpected costs (eg. healthcare, home repairs).
- Discretionary layer: Funds lifestyle enhancements (eg. travel, leisure).
- Legacy layer: Preserves funds for inheritance.

Ultimately, layering is about considering the best type of product to deliver the desired income outcome for clients. Traditionally, this was just a choice between an account-based pension, an annuity, or a blend of the two. Now with IRISs that enable income for life and better access to the Age Pension, advisers can deliver a consistent investment philosophy across all income layers and build these layers in a way that delivers income that is better aligned to client needs.

Expand the pension toolkit

Research from MLC Expand's adviser community[24] shows over half of advisers are using or considering lifetime income solutions. However, adoption is held back by limited platform integration, making access and implementation difficult.

As IRIS solutions become more widely available and platform-enabled, choosing the right platform with a full suite of retirement income options becomes essential. It improves efficiency and supports diverse investment approaches.

Advisers will increasingly seek platforms that let them design and deliver a strong retirement strategy — across both super and pension products — while seamlessly incorporating IRIS solutions in one place.

[24] Adviser Platform Research, (Independent research undertaken by Nature Agency for Insignia Financial, January 2025).

Documenting your super into retirement philosophy

Retirement is complex and personal, but advisers can simplify the process and maintain consistent quality by articulating their own beliefs about retirement and developing a clear, documented approach to delivering sustainable retirement income.

Identify and prioritise	clients' competing preferences, balancing income needs, access to capital, and risk.
Show how key risks	like sequencing, longevity, inflation, and emotional will be managed to build client confidence.
Tailor income strategies	to each stage of retirement: part-time, early, passive, and late-stage.
Treat retirement	as a major life event and give clients financial confidence through expert advice.

Australia's superannuation system is evolving rapidly, driven by demographic shifts, the RIC, and IRIS provisions.

The opportunity ahead

Advisers have a historic opportunity to guide retirees toward better outcomes by adopting innovative strategies and products.

By addressing longevity and sequencing risks, maximising entitlements, and fostering spending confidence, advisers can enhance retirees' financial security and quality of life while contributing to a stronger economy.

This paper is not our last word on retirement income. We intend to actively contribute to the conversation with more content including those covering:

1. Strategies to maximise social security entitlements from the start of superannuation.

2. From bucketing towards layering (where IRIS solutions fit into advisers’ existing investment philosophies across the whole retirement journey).

3. IRIS pension solutions and how they compare to standard annuities and standard account-based pensions.

4. Bringing it all together into a comprehensive retirement income advice philosophy and framework.

If you'd also like to learn more about our Innovative Retirement Income Stream (IRIS) - **MLC Retirement Boost™** and how it can help provide your clients with greater potential for a higher income for life and help them live well in retirement, please contact our team on 1800 517 124 or email us at AdvisoryRelationships@InsigniaFinancial.com.au today.